



Cooperative Agreement 690-A-00-05-00077-00

**Quarterly Report
April to June 2005**

Cooperative League of USA (CLUSA) International Development Enterprises (IDE) Emerging Markets Group (EMG)



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ADMINISTRATIVE DATA

Country	Zambia
Project Title	Production, Finance and Technology
Cooperative Agreement No	690-A-00-05-00077-00
Implementing Agency	NCBA/CLUSA
USAID Technical Office	SO5/Dann Griffiths
Date of Last Evaluation/Audit	N/A
Date of Next Evaluation/Audit	N/A

FINANCIAL DATA

Date of Authorization	April 1st 2005
MAARD Number	6110005.01-3-04073
Total Estimated Amount	\$14,999,840
Total Federal Funds Authorization	\$1,500,000
Appropriation	7241021.1
BPC	GDVA-04-21611-KG13
Outlays this Quarter	\$244,789.59
Total Outlays to date	\$244,789.59
Unobligated balance of Federal Funds	\$1,255,210.41

PROGRAMME OVERVIEW

During this first quarter of the programme, administrative activities dominated the work schedule. The PROFIT team was finalised, financial and management systems established, the procurement process started and office accommodation was identified and occupied.

The technical aspect of the programme consisted of the compilation of the detailed workplan for the first year of the programme. During this period, an industry selection process was undertaken by the PROFIT team in consultation with industry stakeholders to establish initial priority industries with which PROFIT will work that would provide a maximum return on investment for USAID

Overview of Achievements:

- The PROFIT staff was identified, trained and deployed to their areas of operation
- New PROFIT office accommodation was established and equipped in Lusaka, Choma and Kabwe
- An internal team building exercise was held for senior staff from the PROFIT consortium
- Members of the PROFIT team attended a SO5 stakeholder's consultation to assist in the development of the Year One workplan
- A detailed workplan was developed and submitted
- A draft Grant Management Manual was developed
- A subagreement was signed with Comprehensive HIV/AIDS Management Programme (CHAMP) and activities began on PROFIT's Emergency Plan HIV/AIDS sensitisation programme
- As part of the training process, field staff have been conducting market scanning exercises in their regions of responsibility, assessing the characteristics of the rural private sector and the dominant industries of each area

Overview of Challenges:

- The procurement process has been lengthier than was originally planned with vehicles and motorbikes and some office equipment purchased but not yet delivered.
- The reorientation of technical staff away from the philosophies and methodologies of previous programmes to those of PROFIT has been slow and will require constant attention in the early phases of the programme

- Without having a fully developed and operational workplan, deployment of field staff has been done on a 'best guess' basis, and actual locations of staff may have to change once the workplan becomes operational and programme priorities are established
- The HIV/AIDS sensitisation activities had to start before PROFIT staff was in place and aware of the programme which led to slow progress at the onset of this initiative, and important partners were only identified after the initial workplan was developed.

PROGRAMME MANAGEMENT AND ADMINISTRATION

This quarter saw a great deal of activity associated with the setting up of the PROFIT programme, establishing the necessary management and financial systems, and developing the logistical and operational elements of the programme. By the end of the quarter, this process was almost entirely complete.

Detailed Management & Administration Activities and Outcomes for the Quarter:

Activity description	Outputs
Office space identification, securing, and make ready	<ul style="list-style-type: none"> • Secure office accommodation for the PROFIT staff and assets in Lusaka, Choma and Kabwe
Start of the vehicle and motorbike procurement process. Handover of five secondhand vehicles from USAID	<ul style="list-style-type: none"> • Adequate transport for Head Office and field staff
PROFIT Finance Director visit to Washington to assist in the development of the PROFIT financial reporting systems	<ul style="list-style-type: none"> • Better understanding of the interface between local and Home Office financial reporting
Financial/accounting systems design and installation	<ul style="list-style-type: none"> • Finalised financial system approved by CLUSA Home Office
Staff training on administrative and financial procedures and policies	<ul style="list-style-type: none"> • Skilled staff base
Development of PROFIT organisational structure	<ul style="list-style-type: none"> • Finalised organisational chart
Development of staffing structure, including job descriptions and reporting lines	<ul style="list-style-type: none"> • Finalised staffing structure with job descriptions and preliminary performance benchmarks
Development of policies and procedures manual	<ul style="list-style-type: none"> • Finalised manual, though the document will be continually enhanced and developed

Activity description	Outputs
Staff location	<ul style="list-style-type: none"> Staff presence in the following districts: Solwezi Kitwe Kabwe Mkushi Serenje Mumbwa Chibombo Chongwe Mazabuka Monze Choma Kalomo Livingstone Mongu
Team building exercise held for senior staff	<ul style="list-style-type: none"> Consistency in understanding of the PROFIT programme between the three consortium members
Field staff orientation	<ul style="list-style-type: none"> Field staff given better understanding of the programme and its underlying value chain, industry and market development principles, starting what will be an ongoing process of staff training

Challenges

- Some suppliers of capital equipment have been slow to supply goods, especially motorbikes and vehicles, giving rise to some logistical challenges for the field staff
- Two of the five vehicles handed over by USAID were in mechanically poor condition and have been sent to an automotive repair business for rehabilitation
- The geographical location of field staff necessarily had to be determined before the programme started, and management and staff have to maintain flexibility in the light of programme developments over the next year and some staff may have to be relocated to areas more relevant to programme objectives.
- The reorientation of staff, particularly field staff, away from methodologies with which they are comfortable derived from previous programmes to those of PROFIT has proved a slow process needing constant attention over the initial phases of the programme

Activities Planned for Next Quarter

- Programme launch
- Design and installation of a computer network system at Head Office
- Training of Head Office and field staff in value chain analysis and market development methodologies
- Development of a Monitoring and Evaluation system

INDUSTRY SELECTION PROCESS

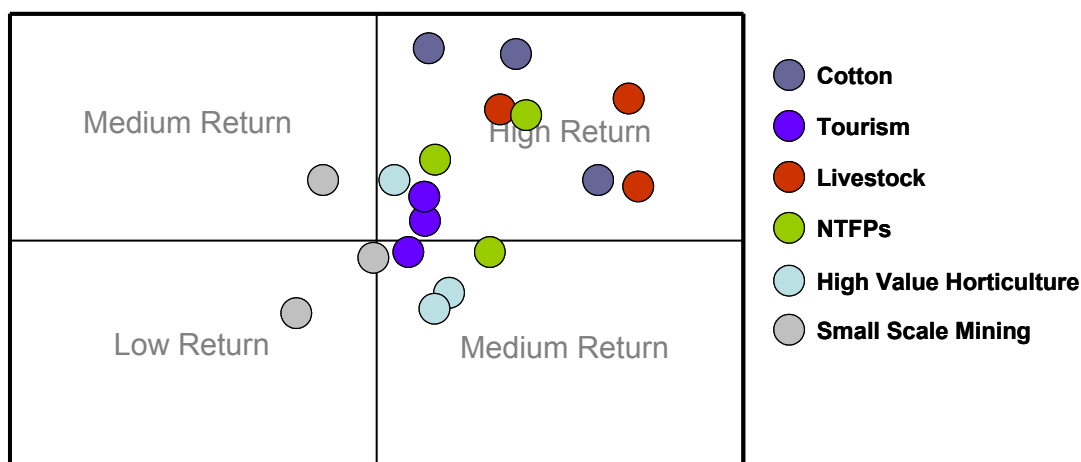
As part of the development of the workplan, PROFIT conducted an industry selection process, focussed primarily on those industries identified by USAID as being ones for which significant potential exists, namely the cotton, non-timber forest products (NTFPs), tourism, small scale mining, high-value horticulture, and livestock sectors. This process was designed to focus the workplan for the first year of the programme on those industries in which interventions by PROFIT would have the greatest potential return on investment. The analysis for each industry was determined primarily by expert interviews and was not exhaustive, but it does provide a general ability to rank each industry by its potential. The basic criteria used in this analysis were:

Growth Potential -- To determine growth potential two factors were chosen. The first factor was the growth potential for the industry in general based on market trends. The second factor was the capacity of the Zambian industry to organize an effective supply response to the growing demand. The analysis for each industry was determined primarily by expert interviews and was not exhaustive, but it does provide a general ability to rank each industry by its potential.

Scale and Impact Potential -- To determine the scale and impact potential PROFIT looked at the potential scale, which is defined by number of MSEs that could participate in and benefit from a growing industry. PROFIT also looked at the potential impact, which is defined by the potential income gains for MSEs.

Industry Leadership -- To determine industry leadership PROFIT looked at the lead firms in the industry (i.e., the larger firms that are driving or could drive greater industry growth) to assess their commitment to MSE upgrading as an important part of industry competitiveness. PROFIT also assessed the commitment of industry leaders to growing the overall Zambian industry.

Consolidated Analysis



Criteria	Cotton	Tourism	Livestock	NTFPs	High-Value Hort.	Small-Scale Mining
Growth	High	High	High	High	High	Medium
Scale	High	Medium	High	Medium	Medium	Low
Leadership	High	High	High	High	Medium	Medium
Consolidated	High	Medium-High	High	Medium-High	Medium	Low-Medium

Consolidated Analysis -- From the consolidated analysis it is clear that the cotton and livestock industries provide the best potential for returns to USAID and PROFIT. Non-timber forest products (NTFPs) and tourism also provide a reasonable potential for returns. However, high value horticulture and small scale mining have less potential at this time primarily due to poor industry leadership and inability to achieve scale, respectively. While it is likely to change and PROFIT will continue to scan the market for changing opportunities, PROFIT will initially target cotton, livestock, NTFPs, and tourism.

While no actual operational activities have taken place over the quarter, field staff have been gathering information on these target industries within their regions and establishing points of contact with local industry players, and well as other stakeholders within the districts. This is part of a much wider information gathering exercise concerning the workings of the entire local private sector that will both form part of a general baseline, and also help to target specific PROFIT interventions once the programme starts.

CROSS CUTTING ISSUES

With no actual operations taking place during this time period, issues concerning the areas of ICT, gender, producer organisations and environment were only touched upon as part of the general information gathering exercise being undertaken prior to the approval of the workplan.

However, with the time constraints placed on the one year programme, the HIV/AIDS sensitisation component of PROFIT started in July. A sub-agreement was signed with Comprehensive HIV/AIDS Management Programme (CHAMP) which is conducting this sensitisation exercise with the help of PROFIT staff and local farmer groups and representatives. The focus of activities is Abstinence, Being Faithful and correct and consistent condom use for at-risk populations. This approach emphasises abstinence for youth and unmarried persons, including the delay of sexual activity, mutual faithfulness and partner reduction for sexually active adults. Where people especially face the risk of transmitting or becoming infected with HIV, support for correct and consistent condom use through the provision of full and accurate information on risk situations is included in the programme. As much of the emphasis in past prevention campaigns and the perception that abstinence and being faithful are not relevant to adult populations, the approach seeks to provide balanced information on abstinence and being faithful which will result in a comprehensive and effective prevention strategy that helps individuals to personalise risk and develop tools to avoid risky behaviours under their control.

Overview of Achievements:

- The PROFIT team that would work within CHAMP has been identified, put in place and have attended orientation on the CHAMP methodologies
- The detailed workplan for FY05 has been completed
- The initial mapping of the PROFIT workplaces and depots through the identification of PROFIT offices and operational areas has been undertaken
- Drafting of targets for identified PROFIT workplaces and depots have been established
- PROFIT has procured and delivered capital equipment and a vehicle to support HIV/AIDS activities
- Review and adaptation of training and sensitisation modules to meet the specific needs of the identified targeted populations in the workplace and the communities focusing on A&B sensitisation are ready to be piloted
- To integrate the collection of Knowledge, Attitude and Practice (KAP) data into training and sensitisation activities pre and post activity questionnaires have been developed for the pilot

- Expansion of the A&B component of the Peer Education training workplan, curriculum and manual for use in the pilot peer education training in the workplace and the community.
- Development of pilot A&B IEC materials for use in HIV Educator training and workplace and community sensitisation is ongoing
- Training of HIV educators in the integration of A&B prevention in sensitisation has been initiated, but will be ongoing
- Familiarisation tours of Chibombo and Chongwe Districts to see depots and community members and other local stakeholders were undertaken during the period
- Development of assessment tools for training and sensitisation activities for the pilot have been completed
- Development of monitoring and evaluation framework for the collection of data on training and sensitisation activities to track the reach and number of participant in PROFIT HIV/AIDS training and activities has been put in place for activity piloting

Overview of Challenges:

- The perception that abstinence is for youth and being faithful is not relevant in some circles of society.
- Partners and community member noted the change of focus to A&B prevention and expressed concern that earlier there was more emphasis on correct and consistent use of condoms thus there is fear of confused messages
- Long distances and limited communication opportunities in the PROFIT operational areas
- PROFIT employees are not yet all in place and, therefore, have not yet been fully orientated in the PROFIT HIV/AIDS component of the project.
- Confirmation of data on sites and farmer numbers as the PROFIT project is also in its inception and the client base has not yet been established.

Activities planned for next quarter:

- Piloting of the peer education training in Chibombo and Chongwe districts
- Piloting of the A&B prevention sensitisation in Chibombo and Chongwe districts by the newly trained peer educators in the community
- Evaluation and finalisation of the pilot activities and revision of the peer education training course, the sensitisation model, IEC materials and the monitoring and evaluation framework based on the experiences in the field
- Affirmation of the project sites and targets by CHAMP, the PROFIT consortium and other partners, especially the Zambia National Farmers Union
- Identification of HIV educators for the rollout of the PROFIT activities

- Development and agreement on the training and sensitisation activity calendars to meet the project targets
- Implementation of the training of workplace and community peer educators

COORDINATION WITH OTHER ORGANISATIONS

At this stage of the programme prior to approval of the workplan, coordination activities have consisted of discussions held with relevant public and private sector stakeholders at district and national levels to establish areas of mutual interest and future collaboration. The participation by senior PROFIT staff in the SO5 stakeholders' consultation in June was an extremely useful part of this process from which many good leads were taken and working relationships formed.

ACTIVITIES FOR THE NEXT QUARTER (JULY – SEPTEMBER 2005)

- Workplan finalisation
- Finalisation of the Grants Management Manual and issuance of first grants
- Completion of procurement and staff location exercises
- Continuation of the local and national information gathering exercise prior to workplan approval
- Continued staff development training
- Programme launch
- Development of the Programme Monitoring and Evaluation Plan
- Initiation of Short Term Technical Assistance in the fields of staff training in value chain analysis and market development intervention methodologies, the livestock sector and conducting a national survey of commercially orientated Community Based Tourism activities.